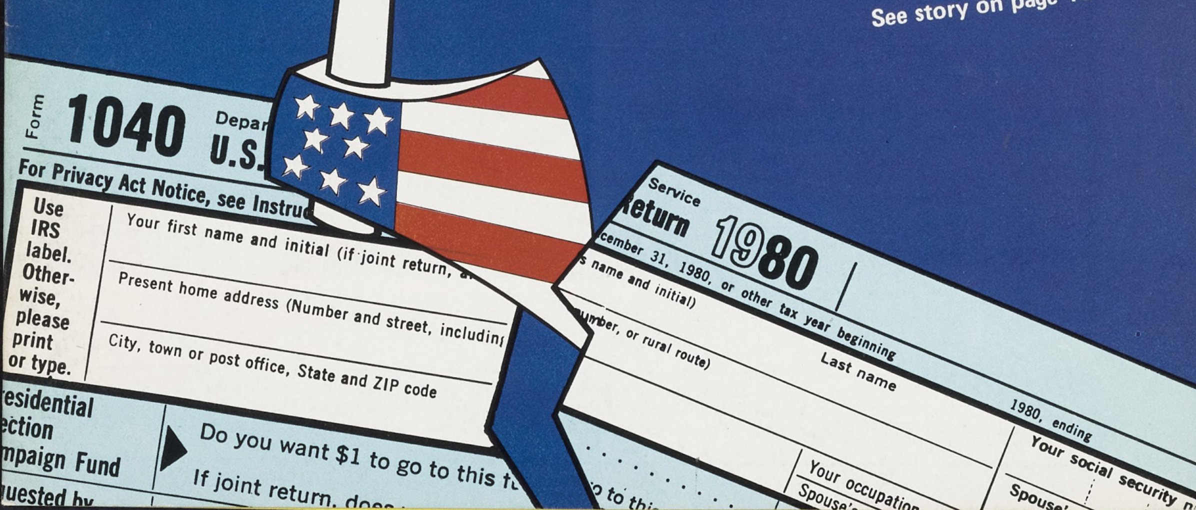
QUAKER CITY FEDERAL

Locale®

SPRING 1981

YOU DESERVE A BETTER TAX BREAK

See story on page 10



PIC OF THE PEOPLE

Photo capsules of people and events of interest to this Locale

NEWLY ELECTED DIRECTOR WAYNE L. HARVEY *is formally welcomed to the board by Chairman of the Board, D. W. Ferguson. Mr. Harvey is a C.P.A. and partner with the Whittier firm of Darling, Wold & Agee and specializes in the field of taxation accounting. He comes to this new role with a broad local business and civic background, a B.A. from Whittier College and an M.B.A. from Golden Gate University. He is married and the father of three children and active in professional and civic activities of this community, including Past-President of Whittier Uptown Association. He has also served as board member and Vice President of the Visiting Nurses Association of Whittier, Past-President and Treasurer of the Friendly Hills Property Owner's Association and Member of the Board of the Whittier Area Chamber of Commerce. In addition to his regular professional duties, he is a much sought after lecturer and writer on income taxes and financial planning with accreditation as a member of the American Institute of Certified Public Accountants, member Los Angeles Taxation Committee (Chairman of Internal Revenue Services Liaison Sub-Committee) and is a visiting lecturer in accounting and taxation at Whittier College. Our readers will also recognize him as a regular tax article contributor in LOCALE.*

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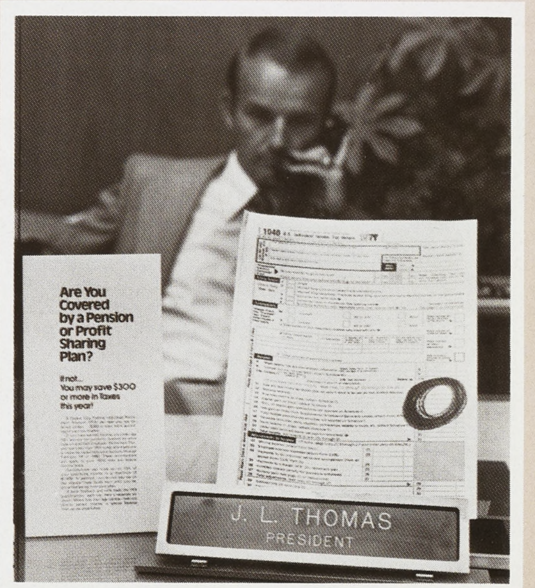
CITY OF LA HABRA HONORS QUAKER CITY FEDERAL. *At a recent award presentation Quaker City Federal's President, J. L. Thomas (second from right) and Harold Rams, Vice President in charge of mortgage lending (left), accepted a plaque from La Habra City Manager, Lee Risner (second from left), and La Habra Mayor, Marion Corbett (right) honoring Quaker City Federal's active participation in the city's 1980 Mortgage Revenue Bond program. The plaque specifically cited this association for its "direct financial support to Neighborhood Housing Services in La Habra" and for its assistance in "providing affordable ownership housing through Community Re-investment Act funds within the targeted areas of the city of La Habra." Also commended were the association's participation in a loan program for commercial enterprises in the La Habra Downtown Redevelopment Project "thereby assisting in creating employment opportunities and increased commercial activities."*



WE CAN HELP YOU SAVE TAXES. *President J. L. Thomas points up that if you act now before you file your income tax returns, your contribution to a Quaker City Federal IRA Account is tax deductible from both your federal and state taxes for 1980. Taxes on interest earned are deferred also until your retirement years. For more details as to whether you qualify and about how you can save taxes on your current return, stop by any of our seven offices and talk to one of our savings counselors, or call our Retirement Benefits Manager, Sandy Sullivan, at our Uptown Whittier Office.*

The Biggest Show in the World

When the California grey whales move south in winter and early spring, you have the opportunity to watch the passing parade of these awesome mammals.

Whales are the largest creatures on earth. Most are gentle, even playful, both among themselves and around people. These intelligent creatures communicate with each other by creating a series of high pitched noises (which sound like singing) and have been heard in open waters more than two hundred miles away.

It is to humankind's discredit, that these magnificent creatures are still being slaughtered by Japan, the Soviet Union and a few other countries. They are killed in a barbaric manner to provide products for which there are substitutes. These products include animal feed, industrial oils, fertilizer, perfume, soap, gelatin and margarine. There are substitutes for each

of these whale by-products!

The California greys, which weigh up to 40 tons and grow to a maximum length of 40 feet, were hunted nearly to extinction in the past. By 1936, when international agreement brought protection to the whales, there were only an estimated 100 remaining.

Although they are classified as commercially extinct, today there are an estimated 11,000 or more grey whales that move from the freezing arctic waters to their Baja California breeding lagoons. On their return trip they are usually swimming farther away from the shore.

For Southern California, the advance guard usually appears at the holiday season in late December.

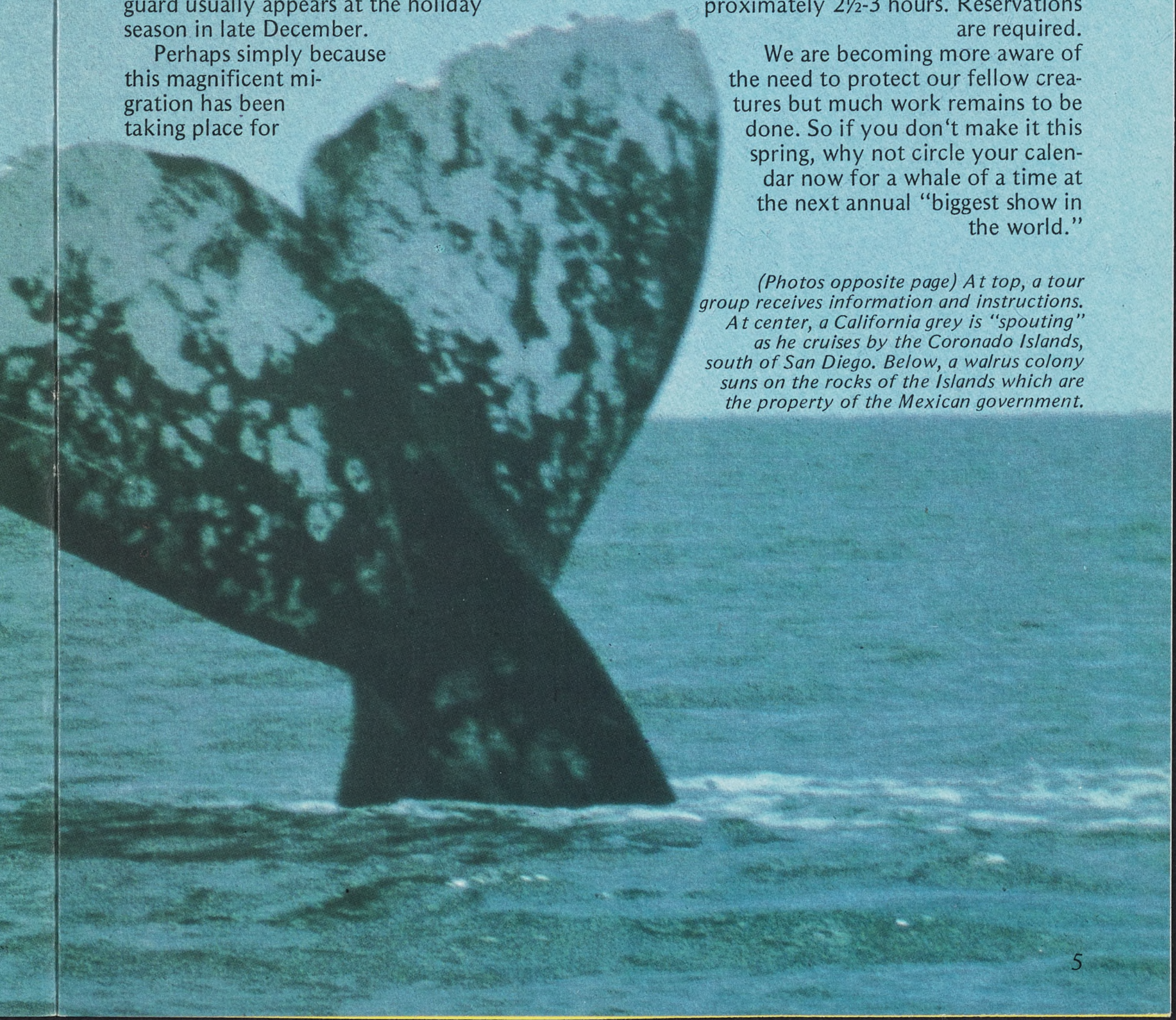
Perhaps simply because this magnificent migration has been taking place for millions of years, many Southern Californians take great joy in gathering along the ocean bluffs or taking charter tours to observe those whales who prefer a close inshore passage.

The huge mammals normally "cruise" at about 6 knots which is approximately twice as fast as a person walks. Since the captain and crew are careful not to disturb the whales, a tour boat can sometimes get to within 30 feet of a California grey.

Although winter is the most popular whale watching season, now through mid-April, the whales are heading north with their calves. There are several fine cruises available from the Los Angeles Harbor area which last approximately 2½-3 hours. Reservations are required.

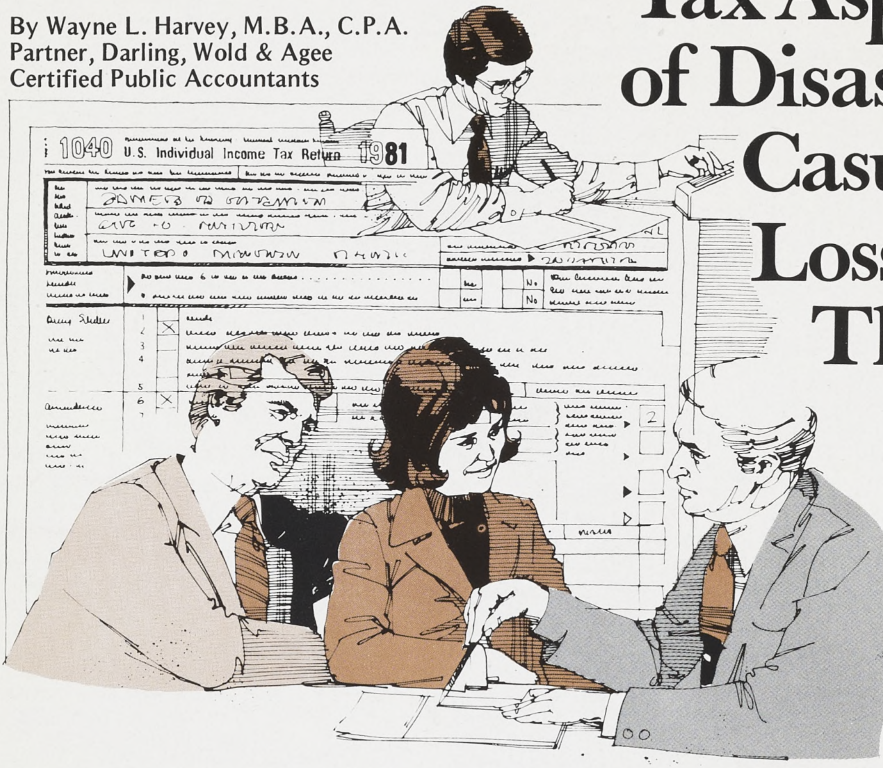
We are becoming more aware of the need to protect our fellow creatures but much work remains to be done. So if you don't make it this spring, why not circle your calendar now for a whale of a time at the next annual "biggest show in the world."

(Photos opposite page) At top, a tour group receives information and instructions. At center, a California grey is "spouting" as he cruises by the Coronado Islands, south of San Diego. Below, a walrus colony suns on the rocks of the Islands which are the property of the Mexican government.



Tax Aspects of Disasters, Casualty Losses & Thefts

By Wayne L. Harvey, M.B.A., C.P.A.
Partner, Darling, Wold & Agee
Certified Public Accountants



Losses suffered from fires, storms, floods, thefts and other casualties may be deductible on your income tax returns. Losses on business property are generally deductible regardless of the cause, while losses from non-business property may be deductible if they fall within some fairly precise rules and definitions. This article will deal with the types of deductible non-business losses, when and how to deduct the loss and how to report the amount you receive from insurance or other sources.

Non-business losses are generally limited to two areas; casualties and thefts. A casualty is the destruction or loss of property resulting from an event that is identifiable and which is **sudden, unexpected, or unusual** in nature. An event that is swift and precipitous and not gradual or progressive is considered to be sudden. An unexpected event is one that is not anticipated and occurs without the intent of the person suffering the loss. For an event to be unusual, it must be extraordinary and nonrecurring, doesn't normally occur during the activity you are engaged in or does not normally occur in the course of day-to-day living. A theft includes such things as larceny, robbery and embezzlement. Extortion, kidnapping for ransom, threats or blackmail may be thefts. Any unlawful taking and removing of your money or property with the intent to deprive you of it should qualify as theft. The taking must be illegal in the state in which it occurred and must be done with criminal intent. The mere disappearance of money or property is not a theft.

In order to claim the loss, you must be able to substantiate that a loss occurred (proof of loss), the amount of the loss and the amount of insurance or other compensation received as a result of the loss.

To prove that a loss occurred you must be prepared to show; 1) the nature of the casualty and when it occurred (in the case of a theft,

when it was discovered); 2) that the loss was the direct result of the casualty (in the case of a theft, that the property was actually stolen); and 3) that you were the owner of the property or liable for it.

Two factors are considered in determining the amount of the loss. The lower of the two factors is the measure of the amount of loss. The first factor is the decrease in the fair market value of the property resulting from the casualty or theft. This is the difference between the value of the property immediately before and immediately after the casualty; the loss in actual value apart from sentimental value or replacement value. This decrease in value before and after should be substantiated with appraisals, photographs or other evidence. The cost of repairing or replacing the property may be used as a measure of the decrease in value in certain circumstances. The second factor is the adjusted basis in the property. This is generally the amount paid for the property, plus any additions or improvements, less any depreciation allowed for tax purposes. Property acquired by other than purchase (such as a gift or inheritance) may have a different basis that should be explored. A comparison is then made between the decrease in value and the adjusted basis and the lower figure is then used in making the loss calculations.

The third factor in determining the amount of the loss is the amount of insurance recovery or other compensation you receive as a result of the loss. The loss determined above is reduced by the insurance recovery. In the event the insurance recovery is greater than the allowable loss, a gain or involuntary conversion occurs which will be subject to taxation unless the stolen or destroyed property is replaced with like kind property within a prescribed period of time.

Non-business losses must then be further reduced by a $100 limitation. A separate $100 limitation is applied to each individual casualty or theft occurence as property held for personal use.

The following table might assist in understanding the above rules and concepts:

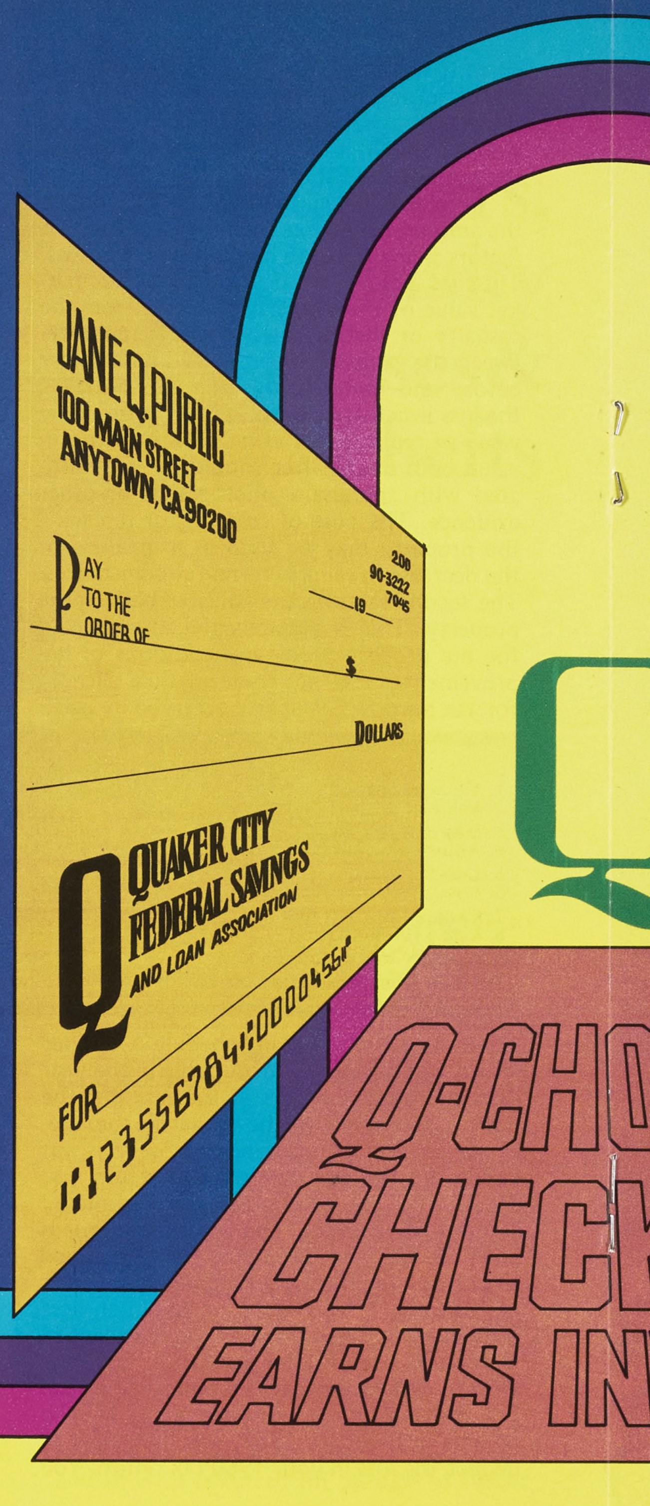
	A.	B.	C.	D.
1. Value of property before	$36,000	$36,000	$36,000	$500
2. Value of property after	30,000	18,000	18,000	0
3. Decrease in value	$ 6,000	$18,000	$18,000	$500
4. Adjusted loss in property	$15,000	$15,000	$15,000	$900
5. Loss sustained (lesser of 3 or 4)	$ 6 ,000	$15,000	$15,000	$500
6. Loss: Insurance recovery	4,000	10,000	18,000	450
7. Casualty or theft loss	$ 2,000	$ 5,000	$ 0	$ 50
8. Less $100 limitation	100	100	0	100
9. Casualty loss deduction	$ 1,900	$ 4,900	$ 0	$ 0
10. Gain from involuntary conversion	$ 0	$ 0	$ 3,000	$ 0

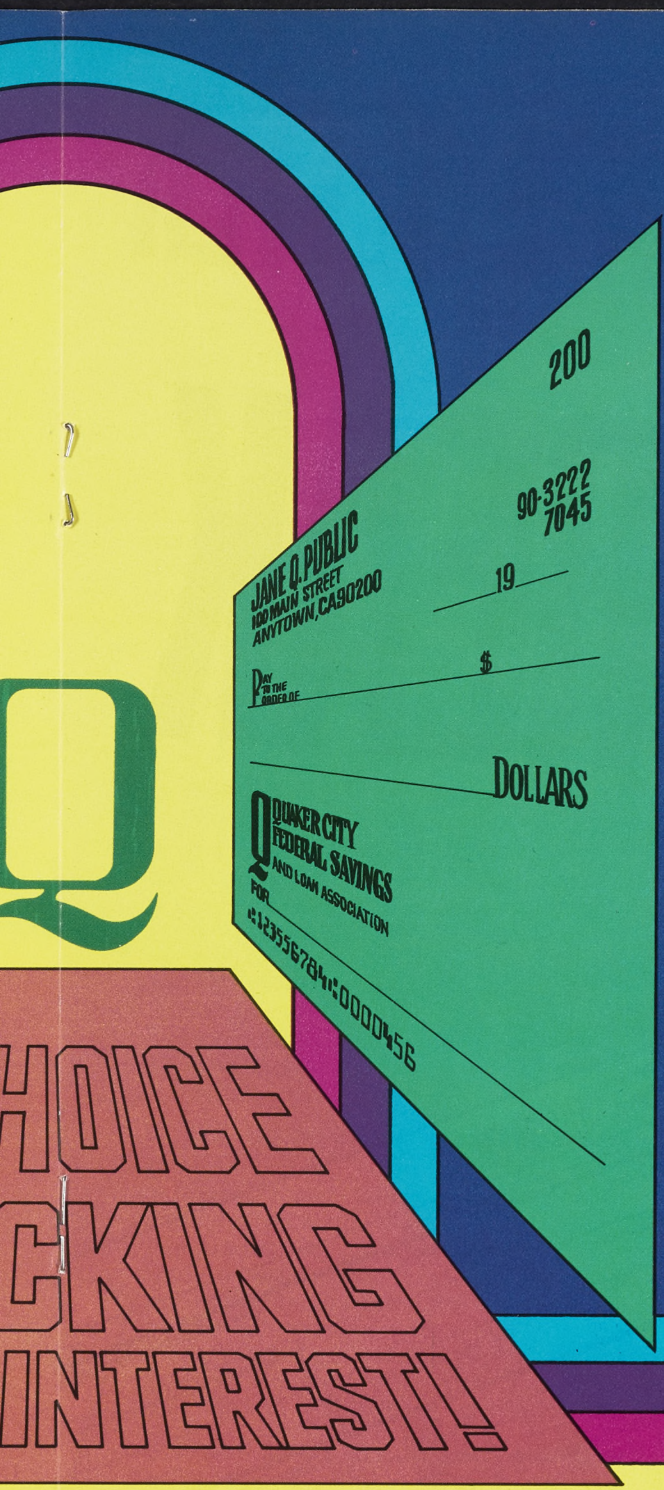
The loss is claimed in Schedule A of your return and is generally deductible in the year that the casualty occurs or the year that the theft is discovered whichever may be the case. If the amount of insurance recovery is not known by the due date of your return you should file the return using an estimated amount of recovery. The actual recovery is more or less; the difference is either added to or deducted from your income in the year of recovery. If you sustain a loss in an area subsequently determined by the President to warrant federal disaster assistance, you may elect to deduct the loss in the preceding year. For instance, if you suffered a loss in such an area in February 1981, you may elect to deduct the loss in your 1980 tax return. You have until the due date of your return for the loss to make the election. Therefore you can wait to see which year (loss year or preceding year) will give you the greatest tax benefit from the deduction.

This subject points out another area where recordkeeping is important. Maintaining sufficient records to aid in the determination of the value of your property before and after the casualty and the cost basis in the property are essential if a proper measure of the loss is to be made. Recent photographs of your property before the casualty can be invaluable in establishing the value of the property before and, of course, photos taken immediately after the loss will be helpful in showing that a loss did, in fact, occur.

Before you open a checking account anywhere,

CHECK OUT OUR INTEREST EARNING CHECKING





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All free for those 60 and over

Come in and check out our 3 Q-Choice Checking Plans then choose the one that's best for you. All 3 Plans earn 5.25% interest compounded daily and paid quarterly. Plus, Quaker City Federal Plans include Q-Check Mate... a $500 line of credit on most accounts to help keep you from overdrawing. Now it's easier than ever to qualify for free checking, so stop by any of our 7 convenient offices and we'll help you to a more interesting future!

QUAKER CITY FEDERAL SAVINGS AND LOAN ASSOCIATION

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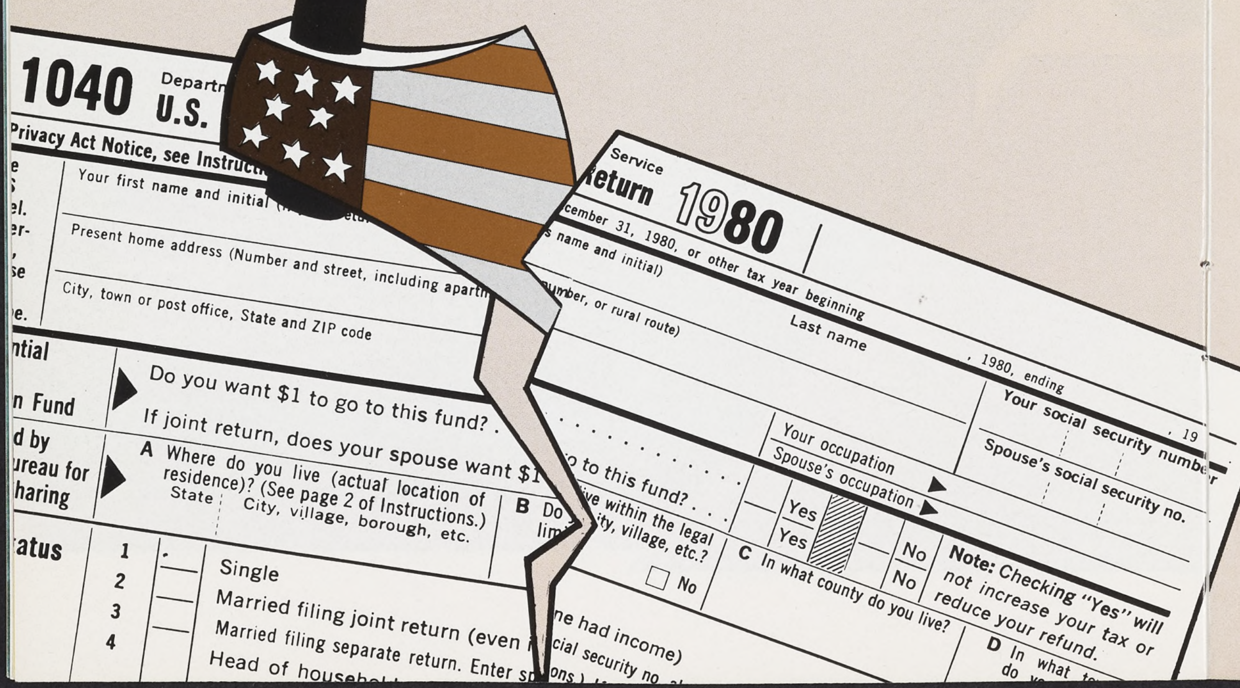
YOU DESERVE A BETTER TAX BREAK



Q. Why should savers get a tax break?

A. For one thing, because they deserve a good tax break. Savers have been inflation's chief victims. Tax breaks reward savers for their thrift by making it more profitable to save.

Even more important, tax breaks for savers are good for the economy, because they would correct inequities in our present tax system which contribute to inflation.

Q. What's wrong with the present tax system?

A. Rather than encouraging people to save, it encourages them to spend and discourages savings. As it is now people who save are taxed twice — first when they earn money, and second, when the money they have already earned also earns money. That means a dollar spent is worth more because it is taxed only once. In addition, those who borrow money usually deduct the interest costs. Thus the system has a built-in anti-saver bias.

Q. How serious is the savings problem in this country?

A. It is a major problem. The U.S. savings rate has been declining since 1973. In fact it is now the lowest of any major country in the industrialized world, and is one reason for our high inflation rate. Yet in the decade of the 1980s alone we will need about $7 trillion in savings—$5 trillion to rebuild our aging industrial plants and $2 trillion for housing. To meet these goals, raising our savings rate is essential.

Q. What are the ways to increase the savings rate?

A. Reducing taxes and lowering government expenditures would help—and the new administration has promised to take steps in those directions. But it will require much more than that to build the savings capital needed to meet our housing and industrial modernization goals. Tax incentives are the simplest way to do this. And, as a bonus, they will also tend to lower the inflation rate.

Q. What is the key measure being considered?

A. The key type of tax incentive that Savings & Loan Industry leaders would prefer to see enacted is a tax-sheltered certificate offered only at a housing-oriented lending institution such as Quaker City Federal. This savings instrument might also involve the feature of the tax shelter becoming larger as the term of the certificate lengthens. The idea is to create a device that will attract funds to the institutions that have been funding housing and creating capital for industry. If enacted, this type of tax free or tax deferred instrument could reduce the cost of housing credit by encouraging long term savings, bring some reasonable cost money into housing-oriented savings institutions and it would defer, not eliminate revenue from the Treasury.

Q. What other measures are being proposed to provide tax breaks for savers?

A. Two approaches at the moment are 1) to expand and make permanent a temporary interest and dividend exclusion program that is effective only in tax years 1981 and 1982, and 2) to expand the coverage of Individual Retirement Accounts(IRAs), which are retirement savings plans.

Q. How does the interest and dividend tax exclusion program work?

A. At present, it allows taxpayers to exclude up to $200 of dividend and interest income if filing individual returns and up to $400 if filing joint returns, for tax years 1981 and 1982 only—that is, the returns to be filed by April 15, 1982 and April 15, 1983.

Q. What changes should be made in this program?

A. First, it should be made permanent. And to provide much stronger incentives to save, the exclusion limits should be increased to $1,000 for taxpayers filing individually and $2,000 for joint returns. This would provide a far more effective incentive that the present limits, which are of significant benefit only to savers with relatively small accounts.

At a 10 per cent savings rate, the savings excluded under the $200/$400 limits would be up to $2,000 for individual returns and $4,000 for joint returns. But at the proposed higher limits, interest would be excluded on

(Continued on page 15)

LA 200

BICENTENNIAL MEDALLIONS

It's a heritage that belongs to all of us

AND NOW'S THE TIME TO CELEBRATE!

It was on September 4, 1781, that it was formally established — El Pueblo de la Reina de Los Angeles — with a nucleus of 11 families recruited from Sonora and Sinaloa in Mexico. It was a settlement bordered on the north and east by large and high and splendid mountains and on the south and west by a magnificent seacoast.

It was Father Juan Crespi, on a land expedition with Don Gaspar de Portola, who recorded in his journal on August 2, 1769, that the "plain where the river runs is very extensive. It has good land for planting all kinds of grains and seeds, and is the most suitable site of all we have seen for a mission, for it has all the requisites for a large settlement."

The Padre was the first one to visualize the heart of a great city as he made camp on the east bank of the Los Angeles River.

It was a gentle, sleepy town and for sixty or seventy years there were few changes in life at the pueblo. In 1850, the first census conducted under American law, revealed 1,610 residents who lived in thick adobe houses with dirt floors and tiled roofs. There was no great anticipation for growth and development in Los Angeles — most of the adventurers and gold seekers were heading north to reach the diggings.

But the Los Angeles area was poised for enormous changes and phenomenal growth. The excitement of the gold towns spread like a prairie fire to engulf the Southland and thousands of settlers rushed to the land of sunshine and prosperity that eventually burgeoned into an encompassing panorama of oil fields and walnut groves...railroad empires, vast water projects and great harbors...entertainment and space technology.

The Bicentennial year - L.A. 200 - began on September 4, 1980. The people of Los Angeles — and all of us who are a part of the heritage of this great Southland locale, now have fewer than twelve months to share an extraordinary celebration — a birthday party highlighting two hundred years of spectacular growth.

Programs, concerts, displays, and pageants have graced Los Angeles during this Bicentennial celebration year. There are exciting current events and many more yet upcoming.

Purchase of the unique Los Angeles Bicentennial Medallions (the L.A. "Birthday Dollar") pictured here, is one valuable contribution each of us can make in support of these myriad programs and events.

This is also an opportunity for all of us to take stock of our own history and to look eagerly toward the future...to accept and meet the major challenges of this decade that face our Southland locale as well as our entire nation.

The L.A. Bicentennial Birthday Dollars each bear a face value of $1 that can be redeemed at authorized locations anytime during the Bicentennial year. They are also a perfect gift that your children will treasure for years to come. Buy by writing LA 200 Bicentennial Medallions, 11681 San Vincente Blvd., Los Angeles, CA 90049 or phone (213) 820-5960.

Q-TALK

BY D. W. FERGUSON
Chairman of the Board
Quaker City Federal Savings

One need not look far beyond the daily news reports in the print and broadcast media to have a fairly accurate perception of the crucial period our national economy is struggling through these days. The newly installed Reagan Administration has set a stern tone and has followed up with swift and deep budget and tax cut requests now before Congress. But these are days of great moment in our national economic life. Whichever way this economic battle see-saws in the coming weeks and months, the lives of all Americans will be intimately affected.

Included in these numbers are, of course, the Savers of this nation , on whom much of the burden of these inflationary times have fallen.To reverse this trend the Savings & Loan Industry is presently mounting a drive in Congress for legislation that would shelter higher levels of savings interest from income taxes. Congress has already put in place an increased tax exclusion of interest and compounded dividends for the tax years of '81 and '82—up from $100 to $200 interest deduction for individuals and up from $200 to $400 interest deduction for couples. But this may be only the opening wedge of several tax relief measures currently being proposed to our legislators. One of the more realistic possibilities is that Congress will act on expanding Individual Retirement Account (IRA) limits and possibly also broadening the eligibility requirements to include those presently covered by a pension plan.

It is frankly too soon to make an accurate prediction of what additional positive steps will emerge from Congress, but some things are already certain: on behalf of the Savers of America we must encourage Congress to provide the best possible savings incentives with the least negative impact on the economy. We must all expect to sacrifice to get the ravages of inflation under control, and I'm sure all of our savers will join us in doing their part to achieve this goal.

> As we go to press there is a definite movement in Congress that may produce a new tax sheltered savings certificate offered only at housing-oriented institutions like Quaker City Federal, perhaps with the shelter becoming larger as the term of the certificate lengthens. The idea is to create a device that will attract funds to the institutions that have been funding housing and creating capital for industry. If enacted this type of account will do something else that is very important: reduce the cost of housing credit.

If the housing industry is to make the come back that is so sorely needed, most of the funds to finance the purchase of homes will come from the Savings & Loan business that historically finances over two-thirds of all homes purchased or constructed. To make this turn-around possible, most of the much needed capital must come from savings institutions. Any Congressional steps that help to produce a positive savings inflow in the months ahead will play a vital role in keeping the housing industry alive and encouraging economic growth.

As a post script, we should remember that while the S&L Industry has in effect been the whipping boy recently for the wide flucuation in rates paid on the savings instruments it offers, the industry is weathering this challenge with the highest reserves in its history and continues to offer insurance of accounts by the FSLIC up to $100,000. For millions of prudent savers these advantages have always been and will continue to be the bed rock of their savings programs.

WAYNE L. HARVEY ELECTED DIRECTOR

At a time when tax deferred savings instruments are of increasing importance to this association, I am pleased to announce the election of Certified Public Accountant and tax expert Wayne L. Harvey to our Quaker City Federal Board of Directors. We greatly value the wide local business and civic background which Mr. Harvey brings to this association and we look forward to the specific support he offers in his specialized field.

(Continued from page 11)
savings up to $10,000 on individual returns and $20,000 on joint returns.

Q. How much new savings would setting the exclusion limits at $1,000 and $2,000 produce?

A. An estimated $11 billion in the first year, compared with just $2 billion for the $200/$400 limits. The higher limits exceed the interest reported on 54.5 per cent of individual federal tax returns and 80.6 per cent of joint returns, giving all of these people a real incentive to save more. The $200/$400 limits exceed the interest income reported on only 29.9 per cent of individual returns and 51.0 per cent of joint returns.

Q. How does the present IRA program work?

A. It allows people not covered by retirement plans where they work to build their own retirement funds by putting aside a proportion of their income each year that is sheltered from taxation until withdrawn at retirement, when most people's tax brackets are lower. The current limit is $1,500 or up to 15 per cent of income, whichever is smaller. So-called "spousal" IRAs, in which a non-working spouse is included, have a contribution limit of up to $1,750. The earnings on this set-aside money are also exempt from taxation as long as they remain in the account.

Q. What changes in IRAs are being proposed?

A. First, to greatly expand the number of workers eligible for IRAs by making them available to all workers, whether covered by a pension plan on the job or not. This would increase the number of people eligible to open IRAs by 44 million. It is also proposed to increase the annual contribution limits.

Q. But won't these tax breaks for savers cost the treasury a tax loss?

A. Yes—but this cost must be balanced against the costs of the present system, which discourages savings and leads to double-digit inflation and excessively high interest rates. Also, the new savings created through tax incentives will provide the money needed to build plants, equipment and homes. By expanding production this will generate new jobs and increased national income. In time the taxes on this new income and productivity will more than offset the tax cost.

WRITE YOUR CONGRESSMAN!

Whatever your views are on these new tax breaks now being debated in Congress, it's vital that you let your Congressman know where you stand. Take time to write a brief letter outlining your position as a saver, as a tax payer, and as a person interested in preserving our heritage as a nation that believes in the fundamental advantages of thrift and home ownership. Do it today! Please.

Maximum Savings Amounts Covered by Existing and Proposed Interest/Dividend Tax Exclusion Programs at Various Interest Rates

	Existing $200/$400 Program*		Proposed $1,000/$2,000 Program**	
Savings Interest Rate	$200 Individual Return Exclusion	$400 Joint Return Exclusion	$1,000 Individual Return Exclusion	$2,000 Joint Return Exclusion
5.5%	$3,636	$7,273	$18,182	$36,364
6%	3,333	6,667	16,667	33,364
7%	2,857	5,714	14,286	28,571
8%	2,500	5,000	12,500	25,000
9%	2,222	4,444	11,111	22,222
10%	2,000	4,000	10,000	20,000
11%	1,818	3,636	9.091	18,182
12%	1,667	3,333	8,333	16,667
13%	1,538	3,077	7,692	15,385
14%	1,429	2,857	7,142	14,286
15%	1,333	2,667	6,667	13,333

*Temporary program for tax years 1981 and 1982, for which returns must be filed by April 15, 1982, and April 15, 1983

**Proposed permanent program

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FIX UP and REMODEL YOUR PROPERTY!

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QUAKER CITY FEDERAL SAVINGS

AND LOAN ASSOCIATION

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